West Bengal and Tripura, supported the proposed interim investment arrangement. Government would take note of the concerns expressed in this conference and continue consultations with all the entities concerned to arrive at a consensus on pension reforms.

Increase in lending and deposit rates by Banks

2339. SHRIMATI JAYA BACHCHAN: Will the Minister of FINANCE be pleased to state:

(a) what is the scenario with regard to interest rates in the country in the months ahead;

(b) whether it is a fact that lending and deposit rates are being tweaked up by several banks;

(c) if so, whether it points to the possibility of interest rates going up; and

(d) whether the upward rates of interest would help mop up excess liquidity in the system?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (d) The Annual Policy Statement for the year 2005-06 issued by the Reserve Bank of India (RBI), had stated that "the outcome for interest rates depends mainly on the outlook for inflation, growth prospects and investment demand and it is not possible to predict short-run movements in interest rates".

RBI has deregulated the interest rates on advances above Rs. 2 lakh with effect from October 18, 1994. Interest rates are determined by the banks themselves with the approval of their Board of Directors subject to Benchmark Prime Lending Rate (BPLR) and Spread guidelines. In order to enhance transparency in pricing of their loan products, banks have been advised by the RBI to fix their BPLR after taking into account (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin and ensure that the BPLR truly reflects the actual cost. Individual banks, therefore, determine interest rates to be charged from a particular borrower subject to their BPLR and spread guidelines. However, loans up to Rs. 2 lakh carry the prescription of not exceeding the BPLR

RBI has also given freedom to commercial banks to fix their own interest rates on domestic term deposits of various maturities with the prior approval of their respective Board of Directors with effect from October 22, 1997. As such, the rates of interest on deposits are being determined by the banks themselves. However, RBI regulates interest rates on savings bank accounts.

As stated in the Third/Quarter Review of Annual Statement on Monetary Policy for 2006-07, issued on January 31, 2007, the Reserve Bank will ensure that appropriate liquidity is maintained in the system so that all legitimate requirements of credit are met, particularly for productive purposes, consistent with the objective of price and financial stability Towards this end, the Reserve Bank will continue its policy of active demand management of liquidity through Open Market Operations (OMO) including the Market Stabilisation Scheme (MSS), Liquidity Adjustment Facility (LAF) and Cash Reserve Rato (CRR) and using all the policy instruments at its disposal flexibly as and when the situation warrants.

Accrual of revenue from income tax

†2340. SHRI AMIR ALAM KHAN: Will the Minister of FINANCE be pleased to state:

(a) the total revenue accrued from income tax in the country, State-wise;

(b) whether Government have conducted any survey of the States making the largest recoveries of Income Tax;

(c) if so, the details thereof;

(d) if not, the reasons therefor;

(e) the efforts being made by Government to enhance the recovery of income tax in the country;

(f) whether Government are considering to offer special economic assistance with a view to encourage the States collecting the largest Income Tax; and

(g) if so, the details thereof?

†Original notice of the question was received in Hindi.